

Press Conference Will Outline Legislation to Base Deposit Insurance Premiums on Risk

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FOR IMMEDIATE RELEASE

(Washington DC) On Tuesday, Congressman Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Financial Institutions and Consumer Credit will introduce the Bank Accountability and Risk Assessment Act of 2009, which would create a risk-based assessment for the "too-big-to fail" banks that represent a systemic threat to our financial system.

The recent turmoil in the financial sector has placed significant strains on the FDIC's Deposit Insurance Fund ("DIF"), the fund that prevents the loss of an individual's insured deposits in the event of a bank failure. It is the responsibility of Congress to ensure that the DIF is adequately funded to handle any challenges it might face. To do so, Rep. Gutierrez' proposed legislation would assess insurance premiums based on the potential risk that their investment activities place on the DIF and the entire financial system. Furthermore, large, complex banking institutions that pose a systemic risk would also pay a systemic risk premium.

"With this bill, I propose that the American people impose the same risk-based assessment on the banks that the banks have been imposing on consumers for years," said Rep. Gutierrez. "The current assessment process for banks fails to account for systemic risks that the largest institutions present to the DIF and the taxpayers. We need a genuine risk-based assessment process and a systemic risk premium — both of which would enhance the resources of the DIF and reduce the risk that taxpayers would be called on to assist a systemically important financial institution."

WHO:	
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Rep. Luis V. Gutierrez, Chairman of the Subcommittee on Financial Institutions and Consumer Credit

Camden R. Fine, President and CEO, Independent Community Bankers of America

Other Members of Congress

WHAT:

Press Conference: Announcing the Bank Accountability and Risk Assessment Act of 2009

WHEN:

Tuesday, June 16, 2009 9:00 am

WHERE:

Rayburn House Office Building, Room 2220

"The current assessment system disproportionately advantages the largest institutions at the expense of small banks," continued Rep. Gutierrez. "While small banks pay insurance premiums on nearly their entire balance sheets, large banks pay on only half. Currently, banks with less than \$10 billion in assets pay approximately 30 percent of the total assessment base, although they hold only about 20 percent of total bank assets. Being a large institution and 'too-big-to-fail' in effect allows its depositors and other creditors to enjoy superior protection than do the depositors and creditors of 'too-small-to-save' banks."

"The Bank Accountability and Risk Assessment Act would levy the quarterly FDIC assessment based on all liabilities, not just domestic deposits, to more fairly distribute the burden to all banks regardless of their liability structure. My bill states that the overall amount of assets that a bank holds is a more accurate gauge of an institution's risk to the DIF than the amount of a bank's deposits, particularly when the bank's deposits represent only 50-60 percent of its total assets. We have become painfully aware that poor asset quality causes a bank to fail, and all forms of liabilities, not just deposits, fund a bank's assets."

Under current law, the FDIC is required to use a broader assessment base only when a special assessment is levied to recoup losses from systemic risk. The "Bank Accountability and Risk Assessment Act of 2009" would go further to extend the same risk-based assessment requirements to the regular quarterly premiums for all banks.

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